

# Flexible Spending Accounts

You may choose to participate in one or both of the flexible spending accounts:

- Medical Care Reimbursement Account
- Dependent Care Reimbursement Account

These accounts are administered by BASIC, who holds your payroll deductions and makes reimbursements to you out of your account(s). You must complete the Flexible Benefit Plan Election/Change Form and the Direct Deposit Authorization Form (located on the back of the enrollment form) to participate.

**The medical care reimbursement account** lets you set aside tax-free dollars for a wide range of health-related expenses that are not covered by the medical, dental or vision plans. You do not have to enroll in the medical, dental or vision plans to participate in this program.

**The dependent care reimbursement account** lets you set aside tax-free dollars for eligible day care expenses for your dependents.

For expenses to qualify:

- You and your spouse must be employed or actively seeking employment or attending school full time.
- Dependent care provider must claim payments as income.
- Dependent care expenses paid during a sick leave, holiday, or vacation are not eligible.
- Expenses must be for the care of a qualified person:
  - A child under 13 years old who is a dependent for income tax purposes. (If your child turns 13 during the plan year, expenses are no longer eligible for reimbursement.)
  - A spouse or dependent who is incapable of self-care and regularly spends at least eight hours per day in your home (i.e. an invalid parent). The same rules that apply for child care apply to the care of other dependents, except that the dependent need not be under age 13.

## How the Accounts Work

First, you must incur an eligible expense. Then, you submit a Reimbursement Form and receipts to BASIC. You will receive the reimbursement through direct deposit if you complete the Direct Deposit Authorization Form. Since you are reimbursing yourself with "tax-free" dollars, you have more buying power than if you paid for the same expenses with after-tax dollars.

When you enroll, you need to decide how much you would like to contribute to your accounts each year:

- **For the medical care account**, the plan limit is \$5,000 per eligible employee per year. If you and your spouse are employed by the City each can contribute \$5,000.
- **For the dependent care account**, the maximum amount is \$5,000 (married-filing jointly) or \$2,500 (married-filing separately) each year.

You must carefully consider how much you would like to contribute. Because of the tax break, the IRS requires a "use it or lose it" feature for this benefit. That means if you have money left in your account at the end of the plan year, it will be forfeited.

You must enroll each year if you want to continue participating in the flexible spending account program.



## Learn More

You can find more information at <http://eweb.cabq.gov/>

**The dependent care account is a pay-as-you-go account. Your employer will not advance any money.**

You should check with a tax advisor to see what your savings might be if you participate in the flexible spending account program.

Note that you are unable to use certain tax credits if you use the FSA accounts.

Federal regulations do not permit domestic partners to participate in the flexible spending accounts.

**This is an example\* of how you can save tax dollars with an FSA.**

	With FSA	Without FSA
Annual income	\$40,000	\$40,000
Estimated health care expense	\$3,500	\$0
Taxable income	\$36,500	\$40,000
Estimated federal tax	\$5,475	\$6,000
Estimated Social Security tax	\$2,792	\$3,060
Healthcare expenses	\$0	\$3,500
Net pay	\$28,233	\$27,440
Savings with FSA	\$793	N/A

\*Based on 2004 federal income and Social Security taxes with standard deductions when filing married, jointly with two or more dependents.

### Eligible FSA medical expenses include:

- Ambulance service
- Birth control
- Co-pays and deductibles
- Crutches
- Eye glasses
- Nursing care
- Medically prescribed physical therapy
- Orthodontics<sup>1</sup>
- Over-the-counter medicines such as pain relievers, antacids, allergy medicines and cold medicines<sup>2</sup>
- Smoking cessation programs, nicotine patches, and nicotine gum
- Special Needs<sup>3</sup>

For a comprehensive list of eligible expenses, visit [www.irs.gov](http://www.irs.gov) and search for IRS Publication No. 502.

### Eligible FSA dependent care expenses include:<sup>4</sup>

- The costs for dependent day care, at home or in a day care center
- Nursery school expenses

For more information, visit [www.irs.gov](http://www.irs.gov) and search for IRS Publication No. 503.

### Examples of *ineligible health care*

**expenses** include Retin-A, weight loss programs, health club dues, diaper service, long-term care expenses.

### Examples of *ineligible dependent care*

**expenses** include transportation expenses, convalescent or nursing home expenses and overnight camp expenses.

## Parking and Transit Plan (Section 132 Plan)

Now you can also save money on your transit costs (up to 40%) by joining the parking and transit program administered by BASIC.

You can pay for your work-related parking and mass transit costs with tax-free dollars. Because the City pays the administration fee, there is no cost to participate in this program.

### How Much You Can Allocate Tax-Free?

The 2007 fiscal year limit for mass transit is \$105 per month and \$200 per month for parking.

Any unused funds continue to roll over month-to-month, year-to-year as long as you are an active employee.

### Enrolling

#### City-Owned Lots:

You must complete the Parking Enrollment Form authorizing Payroll to convert your current deduction to a tax-free deduction.

#### Non-City Lots:

You must enroll online at [www.basichr.nu](http://www.basichr.nu). Be prepared with your checking account number and routing information.

To receive reimbursement for non-City lot parking, expenses must be submitted online at [www.basic.hr.nu](http://www.basic.hr.nu). You will receive your reimbursement by direct deposit only.

### What Expenses Are Eligible

Your parking expenses on or near the premises of the City of Albuquerque or a location from which you commute to work by transit, van or carpool.

Parking/transit expenses resulting from travel to or from meetings, to visit other City departments, or other locations are ineligible for reimbursement.

<sup>1</sup>Reimbursement can only be made in accordance with the orthodontia contract, (e.g., monthly quarterly, etc). The orthodontia contract must be provided with each claim.

<sup>2</sup>These items must be purchased to alleviate or treat personal injury or sickness. Eligible items do not require a prescription. If the cash register receipt does not show the item description, a copy of the product packaging with price tag will be needed with the receipt.

<sup>3</sup>The service must be prescribed by a physician to treat a medical condition. Treatment cannot be for general health and/or well being. <sup>4</sup>The services may be provided in your home or another location, but not by someone who is your minor child or dependent for income tax purposes (i.e. an older child).

• If the services are provided by a day care facility, that facility must comply with state day care regulations.

• Services must be for the physical care of the dependent, not for education, meals, registration, etc.

• Overnight camps and lessons in lieu of day care are not eligible for reimbursement from a dependent care account.



**B•A•S•I•C**  
Western USA, Inc.  
B.A.S.I.C. FLEX

2526 E. Lee Street  
Tucson, AZ 85716

During Open Enrollment:  
800-473-0455

After July 1, 2005:  
800-444-1922, Ext. 1

## City Sponsored Benefit

### PLAN YEAR 2007

- City paid benefit
  - No employee cost to join
- Permitted to change contributions
  - Increase/decrease amounts\*
  - Drop out of FSA\*
- Medical Reimbursement Increase
  - Limit: Up to \$5,000
- Dependent Care Expense
  - Limit: Up to \$5,000

### ADVANTAGES

- Save Payroll Taxes
  - 20% to 40% savings on:
    - ▶ Out-of-pocket medical, dental and vision
    - ▶ Day care expenses

### QUICK, FAST TURNAROUND ON CLAIMS

- Direct deposit available
- Claims processed daily
- Designated Service Representative

### 24/7 ACCESS TO ACCOUNT BALANCES

- IVR: Toll Free Number
- Internet Access

\* If IRS approved status change occurs